

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6779

BILL NUMBER: HB 1073

NOTE PREPARED: Dec 29, 2011

BILL AMENDED:

SUBJECT: Public Mass Transportation.

FIRST AUTHOR: Rep. Espich

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill specifies that a county or city council (other than the city-county council of Marion County) may elect by ordinance to provide revenue to a public transportation corporation from the city's or the county's distributive share of county adjusted gross income taxes, county option income taxes, or county economic development income taxes.

It authorizes the establishment of a Regional Transit Authority (RTA) and a Metropolitan Transit District (MTD) by specified eligible counties through local public questions. It authorizes the MTD to: (1) construct or acquire any public transportation facility; (2) provide public transportation service by operating public transportation facilities; and (3) issue bonds and otherwise incur indebtedness. It also authorizes the Indiana Finance Authority (IFA) to issue bonds and use the proceeds to acquire any obligations issued by an MTD.

The bill provides that in a county that has approved the local public question, an additional county economic development income tax (CEDIT) rate of not more than 0.2% may be imposed to pay the county's contribution to the funding of the MTD. The bill specifies that the CEDIT rate may not exceed the recommended tax.

Effective Date: Upon passage; July 1, 2012.

Explanation of State Expenditures: *Department of Local Government Finance (DLGF):* The DLGF will set the maximum permissible ad valorem property tax levy for newly created units. This is expected to be implemented within the current level of resources available to the DLGF.

The services provided by the MTD within its district are exempt from regulation by the Department of State

Revenue (DOR). Services provided outside of the district are not exempt.

Indiana Finance Authority (IFA): The IFA could incur costs issuing bonds to acquire the obligations issued by the MTD.

Explanation of State Revenues: *Tax Exempt Bonds:* The MTD and RTA are exempt from Indiana property and revenue taxes, and interest paid on bonds issued by the MTD are exempt from taxes. However, the Financial Institutions Tax and the state Inheritance Tax still apply.

Explanation of Local Expenditures: *Summary:* The bill will have indeterminate fiscal impact on transportation services in Marion County and surrounding counties. Any changes will be based on the decisions of several county fiscal bodies and their voters. If two new transportation entities are established, two existing entities will be abolished, but many of the same powers and duties remain. The decisions of the new entities in planning for transit around authorizing counties and the methods of financing those plans will determine the results. Additionally, minimal cost savings may result from governing body compensation.

The bill allows eligible counties to establish and join a Metropolitan Transit District and a Regional Transportation Authority under certain circumstances. Existing entities, the Indianapolis Public Transportation Corporation (IPTC) and the Central Indiana Regional Transportation Authority (CIRTA), are abolished if the new entities are established. Additional counties that are adjacent to authorizing counties may subsequently join the new MTD.

The new entities are to take on the powers and duties of the existing entities. Marion County receives taxing authority to defease existing debts of the IPTC. The new entities will have additional borrowing capabilities through the IFA to plan, design, acquire, construct, enlarge, improve, renovate, maintain, equip, finance, operate, and support public transportation systems in Central Indiana.

The MTD would not be subject to the common construction wage and public works requirements. Employees of the MTD would not be required to join an employee organization.

Background and Additional Information-

Authorizing Counties: The bill allows the establishment of a metropolitan transit district and a regional transportation authority if three circumstances occur:

- (1) The authorizing body of an eligible county adopts an ordinance to place a local public question on the election ballot.
- (2) The majority of county voters at the next general election vote yes on the ballot proposal.
- (3) Marion County is one of at least two counties that adopt the proposal.

However, the MTD and RTA is not established if Marion County and Madison County are the only counties adopting the MTD.

Other counties that are adjacent to an authorizing county may become members if the executive committee of the RTA approves and a local public question is adopted. There is no limit on future membership, only the proximity of the county to an authorizing county, which could result in the geographic expansion of the MTD and RTA over time.

Once adopted, a county will remain a member of the MTD until the county fiscal body adopts a resolution announcing its intent to withdraw and 2/3 of the county fiscal bodies of the member county agree.

Indianapolis Public Transportation Corporation: The IPTC will be abolished and its powers and duties transferred to the MTD if the MTD is established. All of the IPTC's assets, debts, property rights, equipment, records, personnel, and contracts will transfer to the MTD. The IPTC's board would serve for six months as an advisory board to the MTD's executive board and then be abolished.

The taxing district for the IPTC will continue to exist, and the revenue from any tax will transfer from Marion County to the RTA executive committee to pay costs for carrying out its powers and duties. Marion County will assume, defease, pay, or refund all indebtedness or lease rental obligations of the IPTC. Marion County may levy a tax in the IPTC's taxing district to pay these costs.

The IPTC, which is known as IndyGo, provides fixed-route bus services, direct-link bus services, and reservation-based bus services for the elderly and disabled. On average per fixed route, the farebox provides less than 25% of the fare cost. In 2010, IndyGo had \$10.0 M in operating revenues and \$63.5 M in operating expenses, an operating loss of \$53.5 M. Nonoperating revenues totaled \$63.4 M, resulting in a positive total income of \$7.8 M. The following table shows the sources of total revenues for 2010.

IndyGo 2010 Sources of Revenue		
Revenue Source	Amount	Percentage of Total Revenue
Operating Revenues:		
Passenger Fares	\$ 9,707,471	13.6%
Advertising	289,068	0.4%
Nonoperating Revenues:		
Property and Excise Tax	23,879,654	33.4%
Municipalities	11,798,407	16.5%
Federal Transportation Administration Assistance	15,457,006	21.6%
Contributions - Capital Grants	12,186,098	17.1%
Other Net Revenues	<u>(1,913,323)</u>	-2.7%
Total Revenues:	71,404,381	
Source: <i>IndyGo 2010 Annual Financial Report.</i>		

In addition, on December 31, 2010, IndyGo had notes payable totaling \$6.9 M and bonds payable totaling \$9.3 M. IndyGo's annual capital costs range from \$4 M to \$8 M, including replacement of buses and maintenance of bus route amenities. IndyGo's total assets on December 31, 2010, were valued at \$118.5 M, including land, buildings, vehicles and equipment, other equipment, and construction in progress.

Under current law, the directors of a public transportation corporation are entitled to compensation of not more than \$1,200 per year and the reimbursement of expenses incurred in the interest of the board of directors.

Central Indiana Regional Transportation Authority: If an MTD and RTA is established, the existing CIRT will be abolished and its powers and duties transferred to the MTD for matters related to the MTD and to the RTA for matters not related to the MTD. All of CIRT's assets, debts, property rights, equipment, records, personnel, and contracts will transfer to the MTD. For six months after its body is eliminated, CIRT's board serves as an advisory body to the RTA's executive board.

CIRT's goals include plans to connect Indianapolis with the areas that surround it and development of federal, state, and local funding sources for alternative transportation. CIRT consists of Marion, Hamilton, Hancock, Shelby, Johnson, Morgan, Hendricks, Boone, Delaware, and Madison Counties. There is a representative for the excluded cities in Marion County on its board. This position indirectly represents the Speedway Public Transportation Corporation.

If the RTA is established, the board position for the excluded cities would not be reestablished in the new board. Delaware County could become a member of the board if a county adjacent to it were to become an authorizing county, the RTA executive committee approved, and county council and the voters of Delaware County agreed to join. This could take several years depending on which counties become authorizing counties. The Bloomington Transportation Corporation does not lose any current representation, but Monroe County could potentially join the RTA if an adjacent county were to become an authorizing county.

Regional Transit Authority: The RTA is to be a body corporate and politic and separate from the state and other political subdivisions, but it will exercise powers that are essential governmental functions.

If the RTA is adopted, the RTA's power to govern is vested in its board, and the executive committee of the board receives the powers and duties of the IPTC and CIRT for matters that do not relate to the MTD. The executive committee is to submit its budget and proposed property tax levy to the Marion County fiscal body for the fiscal body to adopt. The RTA's executive board may not exercise the power of a public transportation corporation to issue bonds.

If five or more counties authorize the RTA, two members each is to be appointed by the county executive of each authorizing county. If it is fewer than five, three members each are to be appointed. The county executive of a county that is a member of the RTA, but did not vote to authorize the RTA, will appoint one member. The director of the Indianapolis Metropolitan Planning Organization will be a member and so too will the Commissioner of the Indiana Department of Transportation or a designee.

Board members are not entitled to compensation but may be reimbursed for actual expenses and mileage. A member must have at least five years work experience with a profit or nonprofit entity in business or finance, regional economic development, or transportation.

The officers of the RTA board consist of a chairperson, vice-chairperson, and secretary-treasurer elected from among the board members, with the initial chairperson chosen by the Marion County executive. The executive committee of the RTA board consists of the members of the board appointed from authorizing counties. The full RTA board may vote and provide oversight on matters that are not related to the MTD.

Metropolitan Transportation District: The MTD is to be a body corporate and politic separate from the state and other political subdivisions, but it will exercise powers that are essential governmental functions.

The governing body of the MTD is to be the RTA executive committee, which elects a chairperson, vice-chairperson, and a secretary-treasurer from among its membership. The executive committee serves without

compensation or per diem. There are a total of 100 votes among the members of the executive committee when voting on matters related to the MTD. The number of votes each member has is based on the financial contributions to the RTA by the authorizing counties.

The executive committee must make written findings on the value of facilities put into service within each authorizing county, the total amount of capital needs of the MTD, the annual amount of capital costs to be allocated to each authorizing county, the total amount of operating needs of the MTD, and the annual amount of operating cost to be allocated to each authorizing county. The executive committee may not take final action on its budget until it is approved by the county fiscal body.

The MTD executive committee is to appoint a chief executive officer who has at least five years of senior-level public transportation experience. The MTD may hire all needed personnel, and the executive committee sets their compensation.

The MTD executive committee may issue debt to acquire real or personal property; acquire, construct, or improve projects; pay the cost of planning and development of equipment or facilities; or to fund or refund bonds or other indebtedness. All instruments of debt must mature within 25 years, and the total amount of bonds issued may not exceed 25% of the total financial contribution made by authorizing counties in the year preceding the bond issue. The MTD may not levy a tax.

Open Meetings and Audit: The RTA and its board, and the MTD and its board are subject to the open meetings laws and audit by the State Board of Accounts. This is expected to have limited fiscal impact as the entities that would be eliminated are currently SBOA audit subjects.

Explanation of Local Revenues: *Local Option Income Taxes:* This bill would allow cities and counties to provide revenue to public transportation entities with part of the distributive shares received from the county adjusted gross income tax (CAGIT), the county option income tax (COIT), and the county economic development income tax (CEDIT). This provision would allow an additional use for the existing revenue and would not change the total amounts distributed to the individual taxing units. Any impact will depend upon local action.

Additional CEDIT Rate: Under the bill, an adopting entity may also impose CEDIT on the adjusted gross income of county taxpayers to pay the county's contribution to the MTD. The rate may not exceed the rate specified in the approved local public question, and the bill also limits the rate to no more than 0.2%. The table below provides the estimated revenue that could be generated by rates of 0.2% for each eligible county.

County	Additional CREDIT Rate	Estimated Revenue
Boone	0.2%	\$3.0 M
Hamilton	0.2%	\$16.3 M
Hancock	0.2%	\$2.9 M
Hendricks	0.2%	\$6.3 M
Johnson	0.2%	\$5.5 M
Madison	0.2%	\$3.6 M
Marion	0.2%	\$29.9 M
Morgan	0.2%	\$2.4 M
Shelby	0.2%	\$1.4 M

Power to Issue Bonds and Levy Taxes: Marion County would be able to issue bonds and levy taxes to pay the bonds for the MTD . This power currently is granted to the IPTC. The total amount of bonds issued and scheduled to be paid during any year may not exceed an amount equal to 10% of the total financial contribution to the MTD.

State Agencies Affected: DLGF; IFA; DOR; SBA.

Local Agencies Affected: Marion County, Boone County, Hamilton County, Hancock County, Hendricks County, Johnson County, Madison County, Morgan County, Shelby County, and any other county that becomes a member of the MTD; ITPC; CIRT.

Information Sources: *2010 IndyGo Annual Report*; Indianapolis Metropolitan Planning Organization, *Comprehensive Operational Analysis for the IndyGo Transit System, December 2010*; Indianapolis Public Transportation Corporation, *2011 Management and Financial Plan*; <http://www.cirta.us/>. State Budget Agency, CY 2012 Advisory Distribution Amounts and LOIT tax rates as of November 30, 2011.

Fiscal Analyst: Karen Firestone, 317-234-2106; Jessica Harmon, 317-232-9854.